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SUMMARY  
THE POTENTIAL ADDITIONAL SUPPLY OF LABOR  
AVAILABLE TO THE OMAHA SMSA

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\* \* \* \* \*

from

Omaha Urban Area Research Project

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# THE POTENTIAL ADDITIONAL SUPPLY OF LABOR AVAILABLE

## TO THE OMAHA SMSA

L. A. Danton

### Summary

The purpose of this study is to determine from the best information available the potential supply of labor available to present and prospective employers in the community composing the Omaha SMSA. In doing so certain well established trends provide the starting point. First is the basic long-term shift in the industry employment patterns of the United States. That is, with the long term industrialization of the U.S. economy that has been taking place since the Civil War, there has been a continuous shift from agricultural to nonagricultural employment. This trend is still continuing and can be expected to do so at least through this decade. Along with this has been the long-term trend of migration from rural to urban areas as employment prospects continue to be brighter in the cities for young people entering the labor force and for displaced workers from predominantly agricultural areas. There is a tendency for workers to migrate to the nearest urban area where satisfactory employment opportunities exist. As a result of this the SMSA has experienced a significant amount of in-migration in recent years and can be expected to do so in the future.

These workers come primarily from the area in which Omaha dominates in trade, finance, transportation, and communication. The maximum reaches of this area have been approximated as the basis for calculating potential labor supply. The area comprises all of Nebraska except the panhandle and also includes the northern counties in Kansas, southern counties in South Dakota, the western

counties in Iowa, and the northwest corner of Missouri. This area or zone is indicated as Zone III on Figure 1. Within this area are two other zones. Zone II represents what is considered to be the maximum practical commuting area and the primary area for recruiting labor. Zone I represents the primary commuting area, that is, in which there are large numbers of workers presently commuting to jobs in the Omaha SMSA, which represents the area of immediate supply of labor and wherein most of the workers are employed in the Omaha SMSA.

With the exception of Lancaster County (Lincoln) in Nebraska and Woodbury County (Sioux City) in Iowa, Omaha is the largest and most significant urban source of employment near the workers in this predominantly rural area. It is assumed that if sufficient and adequate job opportunities were available the surplus labor from this area would flow into Omaha. The growth in jobs in Omaha has not been large enough to absorb all these workers and as a result this area has provided an annual average out-migration of approximately 4,200 workers per year in the 1960's. These 4,200 workers represent the first segment considered to be available to present and potential employers.

The second major source of labor supply is being generated by increased participation in the labor force. The Bureau of Labor Statistics in its labor force projections<sup>1</sup> anticipates substantial increases in participation rates in all of the states included in the subject area both in the sixties and in the seventies. A major portion of the anticipated increases will result from more women entering the labor force. This may be attributed in part to an increase in the number of jobs women are qualified to perform. A major factor

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<sup>1</sup>U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Projections by State, 1970 and 1980, Special Labor Force Report #74, Washington, D.C.: U.S. Government Printing Office, 1966.

in this increase will result from the shift of people from rural to urban areas. This means essentially that because more jobs are open to women in the urban areas that more women are expected to avail themselves of the opportunity to work and thus generate a significant increase in the labor supply in the area. In 1960 approximately 25% of the population of the entire three-zone area lived in Zone I. Assuming that the anticipated increase in labor force participation materializes the three-zone area should generate an additional 5,400 workers per year on the average during the 1960's. If the proportion of population in Zone I remained the same (and it should increase as a result of rural to urban area migration) this would indicate an average increase in the labor force resulting from increased participation of 1,350 workers per year within Zone I.

The third source of additional available labor not accounted for in the above sources is the increase presently being generated within the Omaha SMSA. The in-migration experienced by the Omaha SMSA in the first half of the sixties is in addition to that accounted for in the out-migration from the rural areas going to other sections of the country. Present trends indicate that the in-migration experienced by Zone I should tend to rise in the future if sufficient job opportunities are available. A second factor generating an increase in labor supply within the Omaha SMSA is the rate of natural increase of population. Here, as in most areas, births exceed deaths substantially on an annual basis and if employment opportunities are available it is assumed that most of the additional workers generated by the rising population will remain in the Omaha SMSA as they enter the labor force. The present net addition during the first half of this decade has been at the average annual rate of 4,100 workers. It is expected that this

rate will not only continue but should be expected to increase as the population of the area increases. Again this is dependent on the ability of the area to create sufficient employment opportunities to keep the people in the area.

The combined supply of labor potentially available to present and prospective employers from the sources discussed above is, as indicated in Table 1, approximately 9,650 net additional workers per year. It is expected that the combined zones will continue to generate this net addition to the labor force which is (1) over and above the requirements of local areas outside the Omaha SMSA, (2) leaving the area at the present time, and (3) not participating because of lack of job opportunities in the present market. This increase should be available through the remainder of the sixties and continue into the seventies. Rising rates of labor force participation are forecast through 1980 by the Bureau of Labor Statistics, the rural to urban migration should continue well into the seventies although at slower rates, and as long as present rates of natural increase prevail there will be a continuing source of additional labor.

Table 1

NET ADDITIONAL LABOR AVAILABLE TO THE OMAHA SMSA  
ANNUALLY IN THE 1960'S

Out-migration from the recruiting area	4,200
Increase in labor force participation	1,350
Present average annual increase within the Omaha SMSA	<u>4,100</u>
Total	9,650

The potential labor force of the Omaha recruiting area may be expected to be better educated than the national average. More than 98% of the residents in the area live in states with 1960 illiteracy rates of less than 1%. Indeed, all five states have illiteracy rates well below the national rate of 2.4%, and Iowa, with 0.7%, has the lowest rate of the 50 states. Another indication of the basic literacy of the area is the low rate of Selective Service Examination failures. All the states in the recruiting area have failure rates below the rate for the total United States, and all but 2% of the population in the three-zone area live in states whose failure rates are less than half that of the national rate. The entire area is also well below the national average in the percentage of population over 24 years of age with less than an eighth grade education. Only six states have a better record in completion of grade school than Nebraska and Kansas (which together account for 68% of the counties in the recruiting zones). Nebraska and Kansas also compare well with the rest of the United States in median school years completed by persons over 24 years of age. The median in both states exceeded the national median, 10.6 years, by one full year or more. Only nine states were higher than these two. Four of the five states from which Omaha draws the bulk of its labor supply had higher percentages of high school graduates among their adults than the nation as a whole in 1960. The same four states also had much higher retention rates for high school students than the national average (for the 1958 graduates). Nebraska and Iowa, which include more than 86% of the population in the Omaha recruiting area, were in the top nine states in retention of high school students in 1965.

Since nearly 93% of the people of Nebraska are included in the Omaha recruiting area, and since Nebraskans make up nearly 60% of the total recruit-

ing area, a more detailed consideration of Nebraska statistics might be useful in anticipating the quality of the potential labor force for the Omaha SMSA. Only three states have higher literacy rates and only six states have a larger proportion of their population with at least an eighth grade education. The median school years completed by the adult population (25 years or older) was 11.6 in 1960 which was one full year higher than the national median. Nearly 48% of the population over 24 years of age had at least a high school education. In 1964-65 only eight states had a lower high school dropout rate.

Although the state fell below the national average in the percentage of those over 24 years old with at least four years of college in 1960, the educational level can be expected to rise. In 1960 Nebraska contained only 0.8% of the United States population but its colleges and universities granted 1.0% of all the degrees in the nation. By 1965 although the state still included 0.8% of the total population, its schools granted 1.1% of the degrees in the United States. Furthermore, the state has been having a net in-migration of college students. For instance, in 1963 although 6,152 Nebraska students attended school in other states, 9,964 came into Nebraska to study. This was a net gain of 3,812. It is reasonable to assume that many of these better educated in-migrants would be available to the Nebraska labor force. In that year there was a total of 38,063 students in institutions of higher learning in the state. By the autumn of 1965, total enrollment was 49,252. College enrollment has been increasing faster in the state than in the United States as a whole. Between 1964 and 1965 the number of enrollments in Nebraska increased by 15.1% while the number in the U.S. increased by 11.6%.

In general these data indicate that the labor available is well above average in level of education, and should, therefore, represent a potential



supply of highly trainable individuals for whom training costs would be minimal.

In addition to the above listed qualifications the five states of which portions are included in the three zones have 208 institutions of higher education with a 1964 total enrollment of approximately 325,000 students. The various vocational-technical post-high school training institutions in the Nebraska portion of this study's zones produce about 2,500 graduates per year with a wide variety of training.

One present deterrent to attracting this labor to the Omaha SMSA is the relatively lower wage rates paid in the Omaha SMSA. In 1966 the average hourly earnings in manufacturing in Omaha was \$2.69. This was approximately equal to the United States average of \$2.67 but well below Minneapolis-St. Paul (\$2.92), Des Moines (\$3.22), Kansas City (\$2.88), and Denver (\$2.87).<sup>2</sup> Since these cities are the primary competitors for labor in the subject area, the relatively low position of the Omaha SMSA leaves it at a disadvantage in competing for labor. It may be necessary to pay premium wage rates to bring workers into the Omaha area.

The figure of 9,650 net additional workers shown in Table 1 does not include the present unemployed of the Omaha SMSA. In 1966 the average number of unemployed workers in the Omaha SMSA was 6,512 which represented 3.0% of the total civilian labor force of the area. It would appear reasonable to assume that a portion of the unemployed are readily available for employment, and represent an addition to the realistically available labor supply. However, in a free labor market there is a large amount of turnover among the

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<sup>2</sup>U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings Statistics for States and Areas

